

# **Saskatchewan Transportation Company**

**Third Quarter Report 2005**

## **2005 3<sup>rd</sup> Quarter Corporate Reporting**

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## ***Management Discussion and Analysis***

In this MD&A, STC Management will discuss the results of its Third Quarter operations in 2005, in context of both the corresponding quarter in the previous year and, in general terms, in relation to the anticipated financial position of the company over the full year.

The MD&A will also review any emerging corporate issues which arose in the quarter and will have a significant impact on the corporation's fiscal position.

### **Passenger Service:**

To the end of the third quarter of 2005, STC coaches traveled 2,378,000 miles, serving 275 Saskatchewan communities.

Revenues for passenger operations in the quarter were \$1,754,000, up from the \$1,586,000 in revenues realized by the company in the third quarter of 2004. Total passenger revenues for the year to date were \$5,066,000, up from \$4,765,000 in the first nine months of 2004.

Expenses associated with operating passenger services were \$2,156,000, up slightly from the 2004 figure of \$1,970,000. Year-to-date passenger operating expenses were \$6,358,000, compared to \$5,829,000 in the first nine months of 2004.

Operating losses of passenger services in the quarter were \$402,000, an increase from the \$384,000 in operating losses experienced by passenger services in the third quarter of 2004. The loss for the first nine months of the year totals \$1,292,000, compared to \$1,064,000 for the same time period in 2004.

Actual revenues from passenger service in the first nine months of operations were \$299,000 above budget for the period, and \$301,000 above the same time period in 2004. This was accomplished without any tariff increase.

### **Express Service:**

Through its network of 195 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America.

In the third quarter of 2005, revenues from express operations were \$1,709,000, up slightly from the revenues of \$1,638,000 realized in the third quarter of 2004. Revenues for the first nine months' express operations were \$4,758,000, up from the \$4,542,000 in revenues for the same period in the previous year.

Express operating expenses during the quarter amounted to \$950,000, down from the \$1,028,000 in expenses for the same period the previous year. Expenses for the first nine months amounted to \$2,823,000, compared to \$2,886,000 in the first three quarters of 2004.

Overall, profits for freight operations in the third quarter amounted to \$759,000, compared to a profit of \$615,000 for the third quarter of 2004. Year-to-date profit is \$1,935,000, compared to \$1,656,000 for the first nine months of 2004.

Revenues for freight operations are down \$32,000 from the budget projection for the first nine months of the year, but are more than \$200,000 above the revenues for the same time period last year.

### **Maintenance Services:**

STC operates a garage in Saskatoon for major bus servicing, and one in Regina for minor bus servicing. In addition, the company uses its facilities to do maintenance work for other bus companies, as well as to store vehicles for other companies.

The expenses for maintenance services in the third quarter of 2005 amounted to \$595,000, as compared to \$518,000 for the same three-month period in 2004. For the first three quarters, expenses amounted to \$1,876,000, compared to \$1,664,000 for the first nine months of 2004.

### **Financial Services:**

Overall, STC's revenues for the third quarter of 2005 amounted to \$3,615,000, compared to \$3,366,000 for the third quarter of 2004. Cumulatively for the first three quarters, revenues amounted to \$10,243,000, compared to \$9,714,000 in 2004.

Expenses were \$4,783,000, compared to \$4,530,000 the previous year. Expenses for the first three quarters of 2005 totaled \$14,459,000, up from \$13,563,000 for the same period in 2004.

Large increases in the cost of diesel fuel had a significant impact on the rise in expenditures.

The company's loss, before grants, for the quarter was \$1,168,000, compared to \$1,164,000 for the third quarter of 2004. Losses in the first nine months amounted to \$4,216,000, compared to \$3,849,000 for the same period the previous year.

STC has been approved for an operating grant of \$4.1 million from its holding company, the Crown Investments Corporation of Saskatchewan. Current projections for the year, based on the third quarter, indicate that the company will require \$3.5 million in operating grant. The projected operating loss for the year is \$3.7 million, compared to \$3.3 million in 2004.

By the end of the third quarter, STC had drawn down \$3.4 million of the operating grant funds available from CIC. STC had no outstanding loans or indebtedness in the quarter.

At the end of the quarter, the Government's equity in STC stood at \$8,508,000, compared to \$8,674,000 at the same time last year.

### **Other Issues:**

During the third quarter, STC saw an increase in ridership of 5,878 passengers, as compared to the same time period in 2004. This was the third quarter in a row that STC saw its passenger count grow in a year-to-year comparison. At this time, it is estimated that the full year of 2005 will see an increase of between 3,000 and 5,000 passengers, the first increase in passengers using STC services since 1989.

In relation to the above point, the company sold approximately 700 Centennial Youth Excursion passes for June, July and August. This is considerably more than the company had anticipated selling when the program was announced. The passes, which cost \$75, allowed unlimited travel in the province during June, July and August to young people aged 15 to 25.

During the third quarter, work proceeded with land assembly and advanced planning for a new Regina passenger and freight terminal and head office. This project was approved by the Government of Saskatchewan in the spring of 2005.

# Saskatchewan Transportation Company

## Statement of Financial Position

(unaudited - thousands of dollars)

	As at Sept. 30, 2005	As at December 31, 2004
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 685	\$ 1,155
Accounts receivable	1,391	1,499
Inventories	372	326
Prepaid expenses	344	151
	2,792	3,131
Property, plant and equipment	16,343	16,172
	\$ 19,135	\$ 19,303

## Liabilities and Province's Equity

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,809	\$ 2,460
Deferred capital grant	8,818	8,495
<b>Province of Saskatchewan's Equity</b>		
Retained earnings	8,508	8,348
	\$ 19,135	\$ 19,303

**Saskatchewan Transportation Company**  
**Statement of Operations and Retained Earnings**  
(unaudited - thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
<b>Revenue</b>				
Express services	\$ 1,709	\$ 1,638	\$ 4,758	\$ 4,542
Passenger services	1,754	1,586	5,066	4,765
Other	152	141	439	407
Loss on disposal of property, plant and equipment	-	1	(20)	-
	3,615	3,366	10,243	9,714
<b>Expenses</b>				
Operating	3,704	3,511	11,058	10,379
Administration	602	501	1,905	1,914
Amortization	477	418	1,496	1,270
	4,783	4,530	14,459	13,563
Loss before the following	(1,168)	(1,164)	(4,216)	(3,849)
Operating Grant	1,200	700	3,400	3,400
Capital Grant	308	237	976	721
<b>Net income (loss)</b>	340	(227)	160	272
Retained earnings, beginning of period	8,168	8,901	8,348	8,402
<b>Retained earnings, end of period</b>	\$ 8,508	\$ 8,674	\$ 8,508	\$ 8,674

# Saskatchewan Transportation Company

## Statement of Cash Flows

(unaudited - thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
<b>Operating Activities</b>				
Net income (loss)	\$ 340	\$ (227)	\$ 160	\$ 272
Items not involving cash:				
Amortization	477	418	1,496	1,270
Loss on disposal of property, plant and equipment	-	(1)	20	-
Recognition of capital grant	(308)	(237)	(976)	(721)
Net change in non-cash working capital	(326)	1,211	(783)	768
<b>Cash provided by (used in) operating activities</b>	<b>183</b>	<b>1,164</b>	<b>(83)</b>	<b>1,589</b>
<b>Investing Activities</b>				
Additions to property, plant and equipment	(529)	(1,435)	(1,069)	(1,514)
Proceeds on disposal of property, plant and equipment	-	13	56	22
Deferred Start Up Costs	(600)	-	(674)	-
<b>Cash used in investing activities</b>	<b>(1,129)</b>	<b>(1,422)</b>	<b>(1,687)</b>	<b>(1,492)</b>
<b>Financing Activities</b>				
Repayment of demand operating loan	-	-	-	(300)
Capital grant received	700	-	1,300	-
<b>Cash used in financing activities</b>	<b>700</b>	<b>-</b>	<b>1,300</b>	<b>(300)</b>
<b>Increase (Decrease) in cash</b>	<b>(246)</b>	<b>(258)</b>	<b>(470)</b>	<b>(203)</b>
Cash, beginning of period	931	937	1,155	882
<b>Cash, end of period</b>	<b>\$ 685</b>	<b>\$ 679</b>	<b>\$ 685</b>	<b>\$ 679</b>



## **Saskatchewan Transportation Company**

### **Notes to Financial Statements**

(unaudited)

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#### **1. Basis of Presentation and Significant Accounting Policies**

The interim financial statements of the Saskatchewan Transportation Company (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended December 31, 2004.

These financial statements have been prepared following the same accounting principles as the financial statements for the fiscal year ended December 31, 2004.

#### **2. Seasonal Nature of Express Revenues**

Historically, STC's express service tends to be seasonal with the first quarter being slightly lower and the fourth quarter being slightly higher than the second and third quarters. This is due to the absence of significant agricultural activity in the first quarter and the increase in holiday shipping in the fourth quarter of the year.

